

## **FISCAL NOTE**

### **SB 4028 - HB 3958**

February 17, 2008

**SUMMARY OF BILL:** Effective October 1, 2008, authorizes the governing bodies of two or more local governmental entities to create a regional jail authority that would be responsible for acquiring, constructing, equipping, maintaining and operating a jail or workhouse. Each authority may participate in the Tennessee Consolidated Retirement System (TCRS) or in group insurance for local governments. Authorizes each authority to make contracts and leases, accept loans and grants, borrow money, condemn property, and to issue negotiable bonds. Requires the Department of Correction (DOC), as a pilot project, to contract with up to three regional jail authorities for a minimum number of inmates 50 percent higher than the average number of state prisoners housed in jails in those counties that are participants in the authority over the previous five years immediately preceding the date of such contract. Requires DOC to reimburse authorities an additional daily rate of up to \$15 in addition to the \$35 compensation paid by the Commissioner of Correction to counties to house convicted felons. Directs the Select Oversight Committee on Corrections to approve such reimbursement rate for each contract, and all programs to be offered by each authority.

### **ESTIMATED FISCAL IMPACT:**

**Increase State Expenditures - \$7,687,100**

**Increase Local Revenue - \$6,997,100**

**Increase Local Expenditures – \$285,000,000/One-Time/Permissive**

Assumptions:

- If each regional jail authority elects to build one new regional jail housing 1,000 prisoners each at an average cost of \$95,000 per bed, based upon current construction costs provided by DOC, the total cost of three facilities will be \$285,000,000 (3 x 1,000 x \$95,000 = \$285,000,000). It is assumed that Shelby and Davidson counties will not participate.
- Currently, local jails are reimbursed by DOC for housing locally sentenced felons and felons awaiting space in the state prison system at a rate of \$35 per day, with the exception of Shelby and Davidson

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counties. The state will be required to reimburse regional jail authorities for felons housed in regional jails at a rate of \$50 per day.

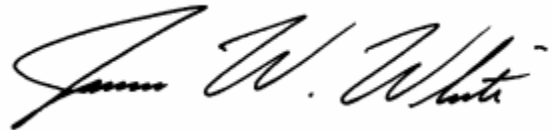
- An average of 71 felons is currently housed in each local facility. Assuming four facilities participated in each regional authority, DOC would be required to contract for 150 percent of the number of felons currently housed, a total of 1,278 felons (71 felons x 4 existing jails x 3 authorities x 150% of currently housed felons = 1,278 felons).
- The state cost of housing these felons in regional jails at \$50 per day will be \$23,323,500. The current cost of housing these felons in local jails at \$35 per day is \$16,326,450. The net increase in state expenditures from the higher reimbursement rate will be \$6,997,050 (\$23,323,500 - \$16,326,450 = \$6,997,050). This increase equates to \$5,475 per prisoner per year.
- According to the DOC, the average operating cost per inmate per day for calendar year 2008 is \$62.78. All beds in state prisons will remain filled. A number of felons equivalent to the additional number housed in regional jails will be transferred from existing local jails to the state prison system. Therefore, there will be no reduction in cost to the state prison system. In effect, the cost will be shifted from existing jails at \$35 per day to regional jails at \$50 per day.
- DOC will be required to provide two staff members for each regional jail to ensure compliance with DOC's responsibilities in the handling of prisoners. The cost of these positions (salaries and benefits) will be \$150,000 per facility. Additional costs for the Tennessee Offender Management Information System and miscellaneous costs will be \$80,000 per facility. These personnel and miscellaneous costs total \$690,000 (\$230,000 x 3 = \$690,000). The total state cost, combining reimbursement, personnel, and miscellaneous costs, is \$7,687,050 (\$6,997,050 + \$690,000 = \$7,687,050).
- DOC is not prohibited by other laws from contracting with regional authorities.
- Local governments will shift personnel from existing jails to the new facilities without creating additional positions.
- According to the Department of Revenue, this bill will not have a significant impact on revenue collections as the authority will not be subject to Tennessee Franchise and Excise Tax or to Sales and Use Tax.
- According to the Tennessee Corrections Institute, any cost incurred can be accommodated within existing resources.
- Specific authority is granted to each regional jail authority to secure group insurance benefits through the Local Government Plan sponsored by the State of Tennessee. Monthly premiums paid by participating employees and their employer are determined by the age and gender characteristics of eligible employees. Premium sharing requirements are not imposed in state law or by action of the Local Government Insurance

Committee. No state funds are employed to directly support the Local Government Plan presently, a situation that is anticipated to continue.

- Under current law, joint ventures of local governments may participate in the TCRS provided the governing bodies of each of the participating local governments passes a resolution authorizing such participation and accepting its pro rata share of any outstanding liability associated with the authority's participation. According to the bill, any county or municipality becoming a member of the authority by agreement after its coverage in the retirement system shall, as a condition of such agreement, be deemed to have accepted its share of the liability incurred by the authority's participation.

### **CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "James W. White". The signature is fluid and cursive, with the first name "James" written in a larger, more prominent script than the last name "White".

James W. White, Executive Director

/lsc